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For information

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions pertaining to WFP. The report covers the following agenda item:

- Audited annual accounts, 2019 (WFP/EB.A/2020/6-A/1)
- Replenishment of the Special Account for Wellness Programmes (WFP/EB.A/2020/6-B/1)
- Annual report of the Audit Committee (WFP/EB.A/2020/6-C/1)
- Annual report of the Inspector General and note by the Executive Director (WFP/EB.A/2020/6-D/1)
- Management review of significant risk and control issues, 2019 (WFP/EB.A/2020/6-E/1)
- Report of the External Auditor on the real estate portfolio and WFP management response (WFP/EB.A/2020/6-F/1)
- Report of the External Auditor on air transport services and WFP management response (WFP/EB.A/2020/6-G/1)
- Report on the implementation of the External Auditor's recommendations (WFP/EB.A/2020/6-H/1)
- Report on the utilization of WFP's advance financing mechanisms (1 January–31 December 2019) (WFP/EB.A/2020/6-I/1)
- Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2019 (WFP/EB.A/2020/6-J/1)
- Utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.A/2020/6-K/1))

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Advisory Committee on
Administrative and Budgetary Questions

26 June 2020

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee on your submissions of the reports in the attached annex.

I should be grateful if you could arrange for the Advisory Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Abdallah Bachar Bong
Chairman

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered a total of 14 reports of the World Food Programme (WFP) Secretariat, which are being submitted to the WFP Executive Board annual session, to take place in Rome, Italy, commencing on 29 June 2020. Three of the documents are submitted to the Executive Board for approval, ten for consideration, and one for information (see annex for a full list of reports). During the Advisory Committee's consideration of the reports, the WFP Secretariat provided additional information and clarification, concluding with written responses received on 8 June 2020.

II. Audited Annual Accounts, 2019

2. The audited annual accounts (WFP/EB.A/2020/6-A/1) indicate that in 2019, total revenue amounted to USD 8,271.6 million, an increase of USD 903.3 million or 12 percent, from 2018. Expenses amounted to USD 7,613.4 million, an increase of USD 973.7 million or 15 percent from 2018. The surplus of revenue over expenses was USD 658.2 million in 2019 compared to a surplus of USD 728.6 million in 2018. The surplus included surpluses in some operations where revenue recognized exceeded expenses incurred during the same period, reflecting an inherent time lag between revenue and expenses recognition. The surpluses are partially offset by the deficits in other operations, that continued to utilize fund balances, accumulated from the excesses of revenue over expenses in previous financial periods. Upon enquiry, the Advisory Committee was provided with the table below on the trends in revenue, expenses and surplus/(deficit) from 2009 to 2019.

Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue*	4 373	4 266	3 736	4 211	4 536	5 450	4 765	5 909	6 431	7 368	8 272
Expenses	4 228	4 238	4 017	4 396	4 515	5 215	4 816	5 368	6 219	6 640	7 613
Surplus/(Deficit)	145	29	(281)	(184)	21	236	(51)	541	212	729	658
Fund balances	3 792	3 835	3 550	3 351	3 400	3 591	3 492	3 997	4 054	4 898	5 438
Reserves	266	259	237	273	273	331	278	330	380	407	432
Net Assets	4 058	4 094	3 788	3 624	3 673	3 923	3 771	4 327	4 434	5 306	5 870

* WFP has changed its contribution revenue recognition policy in 2016 and restated 2015 comparative period balances. Revenue and surplus in financial periods prior to 2015 are not restated

3. Upon enquiry, the Advisory Committee was informed that in 2019, nearly 95 percent of total contributions were committed by governments and intergovernmental institutions. The Committee was also informed that under the IRM framework, donor contributions in the Country Portfolio Budgets can be earmarked at country, strategic result, strategic outcome and activity levels with a resulting level of unearmarked funds at approximately 5% of total contributions. **The Advisory Committee notes the slight increase in unearmarked contributions. Nevertheless, the Committee reiterates its concern that the continued low percentage of unearmarked contributions results in less flexibility for WFP to redeploy resources to meet emergency humanitarian needs and trusts that the WFP will make every effort to increase the percentage of unearmarked contributions (WFP/EB.A/2018/6 (A,B,C,D,E,F,G,H,I,J,K)/2 WFP/EB.A/2018/5-D/2, para. 9 and WFP/EB.A/2019 /6 (A,C,D,E,F,G,H,I)/2 3, para. 4).**
4. In terms of cash-based transfers (CBT), the Advisory Committee notes from Figure 5 of the audited annual accounts that expenses for cash and vouchers distributed reflected an increase from USD 1,446 million in 2017 to USD 1,761 million in 2018 and to USD 2,134.0 million in 2019. Upon enquiry, the Advisory Committee was informed that the amount of cash-based transfers distributed in 2019 included USD 235.4 million of commodity voucher transfers and that the Syrian Regional Refugee Response emergency, Yemen and Somalia were the largest operations deploying the cash-based transfer modalities, amounting to USD 1,326.2 million or 62 percent of total cash-based transfers distributed in 2019. Other countries with significant cash-based transfers include Bangladesh, Democratic Republic of Congo, Nigeria, South Sudan, Sudan, Colombia and Zimbabwe. The Committee was also provided with information regarding the monitoring and oversight mechanisms established across the programme cycle, data assurance practices and tools that support CBT sensitive data management, and automated controls and metrics, including digitizing the end-to-end chain to ensure oversight over the integrity of the process. **Nevertheless, given the continued increase in the use of cash-based transfers, the Advisory Committee recalls its previous observations regarding cash-based transfers and reiterates that effective monitoring and oversight mechanisms are necessary to ensure that funds are properly used and risks mitigated (WFP/EB.A/2018/6-(A,B,C,D,E,F,G,H,I,J,K)/2 WFP/EB.A/2018/5-D/2, para. 12).**
5. As regards the risk mitigation and accountability measures relating to food losses and the increasing write-offs of food commodities over recent years, the Advisory Committee was informed that WFP has well-established processes for the systematic food related losses analysis and reporting. Losses are reported to the governing bodies in the financial statements and through a detailed report on global food losses which is presented to the Executive Board regularly during its Annual Session. The Committee was provided with detailed information regarding the incident of food poisoning in Uganda in March 2019 as indicated in the Executive Director's statement on internal control, and that WFP has established workstreams following the incident, as well as action at the organizational level, to strengthen its Food Safety & Quality systems and policies.
6. It is stated that total assets increased in 2019 by USD 1,259.9 million or 15 percent from USD 8,175.0 million at the end of 2018 to USD 9,434.9 million at the end of 2019. The increase is mainly due to the growth in contributions receivable driven by the growth in operations. Total liabilities increased by USD 695.6 million or 24 percent from USD 2,869.3 million in 2018 to USD 3,564.9 million in 2019, primarily due to the increase in deferred revenue of USD 203.1 million, employee benefits liabilities of USD 287.4 million and other liabilities of USD 210.8 million. At 31 December 2019, WFP's net assets totaled USD 5,870.0 million, confirming a healthy overall financial position. Upon enquiry, the Advisory Committee was provided with the table below showing the financial ratio analysis from 2015 to 2019.

	Current ratio (current assets: current liabilities)	Total assets: total liabilities	Cash ratio (cash + STI: current liabilities)	Quick ratio (cash + STI + accounts receivables: current liabilities)
2015	8.6	4.3	3.0	7.3
2016	9.5	4.9	3.4	8.4
2017	9.8	4.9	3.5	8.7
2018	8.7	5.1	3.5	7.6
2019	7.9	4.5	3.0	7.0

7. **The Advisory Committee notes the healthy financial position of WFP and has no objection to the audited annual accounts for 2019.**
8. The Executive Director's Statement on Internal Control indicates that WFP operated satisfactory systems of internal control for the year ended 31 December 2019. The document also includes the report of the External Auditor on WFP's Financial Statements for the year ended 31 December 2019. The External Auditor expressed an unqualified audit opinion on the Financial Statements and made four recommendations covering matters relating to employee benefits. **The Advisory Committee trusts that WFP will ensure the full and timely implementation of the External Auditor's recommendations.**

Other matters

Impact of the coronavirus disease (COVID-19)

9. In terms of the COVID-19 pandemic and WFP's response, the Advisory Committee was provided with information regarding the critical challenges posed by the pandemic and response by WFP. Upon enquiry, the Committee was informed that in addition to addressing growing hunger and poverty needs, WFP's role in providing services to the humanitarian community is imperative for a strong and coordinated United Nations response. WFP has established eight humanitarian response hubs to support the COVID-19 response, serving 46 destinations throughout Africa, the Middle East and Latin America and WFP's air passenger services are expanding rapidly, with 259 organizations registering for the service. **The Advisory Committee trusts that more detailed information regarding the possible impact of the Covid-19 pandemic, including the possible impact on revenue and the operations of WFP, will be provided to the Executive Board. The Committee further trusts that WFP will provide in the next budget reports information regarding the revenue and utilization of resources during this particular period of the Programme's activities and WFP's contribution within the UN-system wide response to the impact of COVID-19.**

Non-staff personnel

10. The Advisory Committee recalls that the report of the Joint Inspection Unit on the Use of non-staff personnel and related contractual modalities in the United Nations system organizations states that non-staff personnel at WFP are defined as individuals who are governed by the terms of their employment contract and are not subject to the Staff (JIU/REP/2014/8, para. 15). Upon enquiry, the Committee was informed that the number of service contract holders increased from 6,083 in 2018 to 6,631 in 2019 with a turnover of 5.9 per cent and 4.6 per cent respectively. **The Advisory Committee recommends to the Executive Board that WFP considers using the experience and lessons learned from other United Nations entities, to reduce the number of non-staff personnel and, on a case-by-case basis, regularize those posts which are of a continuous nature. The Committee trusts that an update thereon will be provided in the forthcoming WFP reports.**

Staff survey

11. The Executive Director's statement on internal control indicates that two significant risk and internal control issues arose in 2019 and that based on findings from recent staff surveys, WFP needs to ensure that employees at all levels of the organization are protected from harassment, abuse and discrimination. Upon enquiry, the Advisory Committee was informed that senior management accelerated efforts to provide decisive leadership on workplace culture and conduct following the results of the 2018 Global Staff Survey, which indicated that significant improvements were required to ensure that employees at all levels of the organization are treated with dignity and respect, and feel safe to speak up on issues related to harassment, sexual harassment, abuse of authority and discrimination. The Committee notes that the survey was conducted in 2018 and that a further survey may be necessary.

III. Replenishment of the special account for wellness programmes

12. The report indicates that the allocation of USD 8 million from the programme support and administrative equalization account (PSAEA) to the special account for wellness programmes (SAWP) is requested to allow the continued implementation of wellness programmes that address the health and safety risks facing WFP employees and their families (WFP/EB.A/2020/6-B/1, para. 3). The report provides information on the WFP wellness framework which aims for a balance between the needs of WFP and its employees. It also indicates the three goals and that a WFP wellness strategy for 2020–2024 is being developed (ibid, para.s 4 to 6)¹. Information regarding the funding for wellness programmes is provided in paragraphs 7 to 10 of the report and Annex I also provides a breakdown of initiatives carried out to date.

¹ The three wellness goals include:

Goal one: OneWellness: Focus on the field. The aim of OneWellness is to extend existing health promotion and illness prevention programmes to all employees in the field.

Goal two: Promote a corporate culture of health. In promoting organizational attention to health, WFP engages managers and employees in proactive, preventive behaviours that favour a future with reduced health risks, a healthier population and a more competitive and higher performing organization.

Goal three: Create an enabling and supportive workplace. WFP implements an occupational safety and health policy to which the Staff Wellness Division contributes by providing holistic health and wellness services to employees and, where possible, to their families. The maximization of synergies with other corporate stakeholders allows WFP to implement the policy fully and to support other organizations of the United Nations system in the implementation of their own wellness policies.

13. Upon enquiry, the Advisory Committee was provided with information regarding the SAWP including the beneficiaries of the wellness programmes. The Committee was informed that WFP wellness programmes do not make distinctions between staff categories in line with the "OneWellness" goal (goal 1) of the strategy and that wellness support is provided in country offices to all employees working in that office and, where applicable, to their dependents. **The Committee notes the absence of detailed information relating to the beneficiaries of the Wellness Programmes and trusts that WFP will review and monitor service provision to those beneficiaries of the Wellness Programmes.**
14. The report indicates that funding from the PSAEA in the amount of USD 8 million is required to repay the USD 2.5 million PSA advance and to replenish the SAWP, in the amount of USD 5.5 million, so that it can fund initiatives through 2024 in line with the wellness strategy for 2019–2024, including the ongoing COVID-19 response under the medical and safety pillars (ibid, para. 14). The report also provides the projected wellness expenditure between 2020 and 2024, by pillar and net of the USD 2.5 million PSA budget advance to be repaid (ibid, para. 15, table). Annex II provides details of the initiatives by pillar to be implemented with SAWP funds.
15. In terms of SAWP funding for the WFP COVID-19 response, the report provides information on the supply chain exercise launched by WFP and that USD 5 million was provided for this effort, of which the SAWP provided USD 2.5 million. This resulted in the depletion of the SAWP. The other USD 2.5 million spent on the supply chain effort came from an advance to the Staff Wellness Division against the 2020 Programme Support and Administrative Budget (ibid, para. 12).
16. Upon enquiry, the Advisory Committee was provided with information regarding use of the SAWP account, funding and impact of wellness programmes, best practices and the provision of office hygiene items and personal protection equipment. **The Advisory Committee welcomes the efforts of WFP regarding its wellness strategy and trusts that increased information regarding the strategy will be included in future reports.**

IV. Utilization of the Programme Support and Administrative Equalization Account reserve

17. The report indicates that the Programme Support and Administrative Equalization Account (PSAEA) records the difference between WFP's indirect support costs (ISC) revenues and the programme support and administrative (PSA) expenses for the financial period and the purposes of the PSAEA (WFP/EB.A/2020/6- K/1, para.s 1 to 2). WFP's Management Plan (2020-2022) forecasts contribution revenue of USD 7.45 billion for 2020, resulting in a projected indirect support costs revenue of USD 446 million. The projected PSAEA closing balance at the end of 2020 is USD 171.1 million (ibid, para. 5 and table 1).
18. The report indicates that in order to mitigate the risk of WFP not being able to accommodate concurrent requests for funds from the Immediate Response Account (IRA) during the global pandemic, it is proposed to transfer USD 30 million from the PSAEA to the IRA to enable WFP to provide immediate assistance in life-threatening situations in the absence of forecasted contributions (ibid, para. 10). Upon enquiry, the Advisory Committee was provided with information relating to the criteria for requests financed in immediate Response account, specific country allocations and emergency requests for food crises due to COVID. **The Advisory Committee has no objection to the transfer of funds from the Programme Support and Administrative Equalization Account reserve to the Immediate Response Account.**

V. Documents submitted to the Executive Board for consideration

19. The Advisory Committee notes that the Report of the External Auditor on Air Transport Services (WFP/EB.A/2019/6-G/1) contains a recommendation which references the Department of Field Support (DFS) in the United Nations Secretariat which ceased to exist as of 31 December 2018 with the establishment of the Department of Operational Support (DOS) on 1 January 2019 according to General Assembly resolution A/RES/72/266 B. The Committee was informed that the reference pertains to the Department of Peace Operations (DPO) and the Department of Operational Support and that the United Nations Humanitarian Air Service (UNHAS) is responsible for identifying with which department it needs to liaise on the ground to develop cooperative actions and services useful to air operations.
20. Audit observations in the audited annual accounts record a marked increase in fraud and potential fraud value in 2019, reflective of a dispute with a supplier for an amount of USD 7 million that resulted in an agreement with the supplier for recovery by WFP, and cash-based transfer activity valued at USD 1.8 million, respectively (WFP/EB.A/2020/6-A/1, para. 40). In terms of the WFP response, the Executive Director indicates that WFP has reported an expanded roll out of SCOPE, the web-based application used for beneficiary registrations, intervention setups, distribution planning, transfers and distribution reporting, with: coverage of 47 million beneficiaries and 71 per cent of cash-based transfers by the end of 2019 (WFP/EB.A/2020/6-D/1/Add.1, para. 15); reinforced early risk identification and focus on the due diligence of financial service providers; and issuance of revised guidance to country offices during 2019 and emergency due diligence in April 2020 (ibid, paras. 18 and 21). Upon request, the Advisory Committee was provided information regarding the cases of fraud and potential fraud and the additional accountability mechanisms and measures have been put in place and applied. **The Advisory Committee trusts that WFP will strengthen further its efforts to address matters identified by the Inspector General, such as fraud, harassment and sexual exploitation and abuse (see also para. 10 above).**
21. Upon enquiry, the Committee was also provided with information relating to the number of high-risk audit recommendations that have remained outstanding. **The Advisory Committee notes that there continue to be a number of outstanding recommendations of the External Auditor from previous sessions, and trusts that WFP will ensure their full implementation.**
22. As regards the significant risk and internal control issues in the management of non-governmental organizations (NGOs) and partners and the challenges in the capacity and availability of NGOs, the Advisory Committee was provided, upon enquiry, with the mitigating measures and systems regarding NGOs and information relating to NGO capacity issues. In addition to the measures outlined in the Executive Director's Statement of Internal Control (WFP/EB.A/2020/6-A/1, page 40) and the training activities indicated in the Note by the Executive Director on the annual report of the Inspector General (WFP/EB.A/2020/6-D/1/Add.1), measures include implementing or enhancing cooperating partner selection and due diligence process, the role of the Regional Bureaux in the second line of defense, awareness of staff and partners on WFP's PSAE policies and procedures for detecting illegal uses of distributed food.
23. As regards the challenges that remain within the WFP information technology legacy systems and system integration (WFP/EB.A/2020/6-E/1, para.88), the Advisory Committee was provided with information regarding the means of addressing the interoperability of systems and WFP's current integration activities. **With respect to the Management review of significant risk and control issues, the Committee recommends further strengthening the mitigating measures and systems regarding non-governmental organizations, as well as those relating to WFP's management of its IT systems.**

ANNEX**Reports presented to the Advisory Committee for approval:**

- (i) Audited Annual Accounts, 2019 (WFP/EB.A/2020/6-A/1)
- (ii) Utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.A/2020/6-K/1)
- (iii) Replenishment of the Special Account for Wellness (WFP/EB.A/2020/6-B/1)

Reports presented to the Advisory Committee for consideration:

- (i) Annual report of the Audit Committee (WFP/EB.A/2020/6-C/1)
- (ii) Annual report of the Inspector General (WFP/EB.A/2020/6-D/1)
- (iii) Note by the Executive Director on the annual report of the Inspector General (WFP/EB.A/2020/6-D/1/Add.1)
- (iv) Management review of significant risk and control issues, 2019 (WFP/EB.A/2020/6-E/1)
- (v) Report of the External Auditor on the real estate portfolio (WFP/EB.A/2020/6-F/1)
- (vi) WFP Management response to the recommendations in the Report of the External Auditor on the real estate portfolio (WFP/EB.A/2020/6-F/1/Add.1)
- (vii) Report of the External Auditor on air transport services (WFP/EB.A/2019/6-G/1)
- (viii) WFP Management response to the recommendations in the report of the External Auditor on air transport services (WFP/EB.A/2019/6-G/1/Add.1)
- (ix) Report on the implementation of the External Auditor's recommendations (WFP/EB.A/2019/6-H/1)
- (x) Report on the utilization of WFP's advance financing mechanisms (1 January–31 December 2019) (WFP/EB.A/2019/6-I/1)

Reports presented to the Advisory Committee for information:

- (i) Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2019 (WFP/EB.A/2019/6-J/1)